

REPORT

PARLIAMENT OF KENYA

THE NATIONAL ASSEMBLY
PAPERS L A I D

DATE: 15 FEB 2023 DAY: Wed

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OF

THE AUDITOR-GENERAL

ON

**KENYA SAFARI LODGES AND
HOTELS LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2021**

- **MOMBASA Beach Hotel**
- **NGULIA Safari Lodge**
- **VOI Safari Lodge**



KENYA SAFARI LODGES & HOTELS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2021**

**Prepared in accordance with the Accrual Basis of Accounting Method under the
International Financial Reporting Standards (IFRS)**

KENYA SAFARI LODGES & HOTELS

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For The Year Ended June 30, 2021

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I. KEY ENTITY INFORMATION

a) Background information

Kenya Safari Lodges & Hotels Ltd (“KSLH”, “The Company”) was incorporated under the Kenya Companies Act (Cap 486) in 1966. The shareholders of KSLH are Tourism Finance Corporation (TFC,) Mountain Lodges Ltd and Kenya Wildlife Services (KWS). Tourism Finance Corporation is the majority shareholder in KSLH with a direct controlling stake of 82.45% shares. From a management control perspective, KSLH is classified as a State Corporation by virtue of being a subsidiary of TFC. The company operates three units namely; Mombasa Beach hotel, Ngulia Safari Lodge and Voi Safari Lodge.

b) Principal Activities

The Principal activity of the Kenya Safari Lodges and Hotels is ownership and operation of hotel and lodge facilities in Kenya. KSLH vision is to provide premiere hospitality experiences in Kenya; the mission is to enhance customer value by offering premiere Hospitality experiences with an African heritage and core values are Integrity Service excellence Discipline Team work Innovation Social responsibility Dedication and commitment

c) Directors

The Directors who served the entity during the year/period were as follows:

NAME OF DIRECTOR	POSITION	DATE OF APPOINTMENT	ALTERNATE DIRECTOR	DATE OF APPOINTMENT
Anthony Kingi	Chairman	24 th Sept 2020 - 11 th August 2021	-	-
Orumoi T. Jonah	Managing Director TFC/ Director	1 st February 2016 – 11 th August 2021	Ms. Nora Ratemo	18 th Sept 2017
Fridah Njeru	Director	14 th June 2019- 11 th August 2021	-	-
Kabuga Kariithi	Director	23 rd June 2020	-	-
Brigadier (Retired) John Waweru	Director General- KWS/Director	13 th March 2009	Edwin Wanyonyi	9 th October 2015
Hon. Safina Kwekwe Tsungu	PS, State Department for Tourism/ Director	14 th January 2020	Dr. Peter Chemwile	-
Abraham Koech	Rep. National Treasury	-	-	-



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- d) **Corporate Secretary**
John Saitoti Karia
Corporation Secretary
Tourism Finance Corporation
P.O. Box 42013-00100
Nairobi.
- e) **General Manager of the Company- KSLH**
Registered Office
Mombasa Beach Hotel
Mt. Kenya Road, Nyali
P.O. Box 90414, 80100
Mombasa.
- f) **Corporate Headquarters**
P.O. Box 90414, 80100
Mombasa Beach Hotel
Mt. Kenya Road, Nyali
Mombasa.
- g) **Corporate Contacts**
Tel: 041-471861-5/ +254 722 203143/4
Email: info@kenya-safari.co.ke
Website: www.safari-kenya.com
- h) **Corporate Bankers**
1. Kenya Commercial Bank
Treasury Square
P.O. Box 90254-80100
Mombasa.

2. Barclays Bank
Nkrumah Road, Mombasa
P.O. Box 90182 – 80100
Mombasa.
- i) **Independent Auditors**
Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084- 00100
Nairobi.
- j) **Principal Legal Advisers**
The Attorney General
State Law Office, Harambee Avenue
P.O. Box 40112- 00200
Nairobi.



KSLH

A Heritage of Hospitality



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Kishore Nanji Advocates,
P.O Box 86878 – 80100,
Mombasa.




MMK Advocates,
Nkurumah road,
P.o Box 2419-80100,
Mombasa

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II. THE BOARD OF DIRECTORS

Name of Director	Director's Photo	Key Professional/Academic Qualifications & Work Experience
1.Hon.Safina Kwekwe		<p>Honorable Safina Kwekwe Tsungu, CBS, was appointed the Principal Secretary for Tourism in the Ministry of Tourism and Wildlife on 14th January, 2020, by His Excellency President Uhuru Kenyatta.</p> <p>Hon. Tsungu is charged with the following responsibilities: Formulation of national tourism policies, plans, strategies, guidelines and goals; Tourism Development and Promotion that is marketing Kenya to both local and International tourists, Tourism Financing, Support infrastructure development for sustainable growth of tourism, and Tourism Research and Monitoring to develop innovative tourism products. Hon. Tsungu has served in various organizations and institutions both in civil society and the Public sector.</p> <p>She is a holder of a Master's degree in International Trade Policy and Trade Law from Lund University, Sweden, and a Bachelor of Commerce degree from The University of Nairobi. She is an Alumni of Alliance Girls High School.</p>
2.Mr. Anthony Kingi		<p>DoB: 15th July 1969</p> <p>Mr. Kingi, is the Chairman of KSLH BoD. He is a professional Language and Cultural Instructor with over twenty-six (26) years' experience in the profession. He has previously worked with the County Council of Kilifi as a Chairman to the Council and as the Councillor of Mtsangoni Ward and as a Director of Kilifi Mariakani Water and Sewerage Company</p> <p>Mr. Kingi is dedicated to public service and during his career has served as a Director and the Coastal Representative for Alliance for Counties against HIV/AIDS and a consultant for Water & Sanitation.</p>



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<p>3.Mr.Abraham Koech</p>		<p>DoB: 21st April 1969</p> <p>Mr. Koech, is a member of the Board of Directors and the representative of National Treasury in state corporations as an alternate director.</p> <p>As a Chief Investment officer in National treasury, he has executed the role over the last 10 years. He holds an MBA in Strategic Management from JKUAT and BA Hons. from UON and has vast experience in Policy and Financial Analysis, Project Management, Strategic Management, Corporate Governance and Quality Management Systems.</p>
<p>3.Mr.Kibuga Kariithi</p>		<p>DoB: 1963</p> <p>Mr. Kibuga Kariithi is a member of the Board of Director's and the CEO of KARMA Management Services Ltd, a family office. He is the immediate former CEO of City Finance Bank Ltd and arranged the merger between City Finance Bank Ltd and Jamii Bora Kenya Ltd. Mr. Kariithi is a founder of Baraka Africa Fund</p> <p>Up to April 2005 he was the Chief Executive Officer of the Nairobi Stock Exchange, which he left to start an Investment Bank as a conversion from an existing stockbroker. Prior to joining the Stock Exchange in 1999, he was Corporate Finance Director of Barclays Bank of Kenya (BBK).At Barclays, Mr. Kariithi headed the team responsible for Capital Market activities in East Africa and managed Barclays Merchant Finance Ltd (BMFL) the merchant banking subsidiary of BBK, with a balance sheet of Kshs. 4billion.</p> <p>Currently Mr Kariithi is the chairman of Heri Limited, Kolobot Gardens Ltd, Media Max Ltd, Kirinyaga Investment and Development Authority (KIDA), Jumuia Hospitals Board and he is a director at: WAKIBA Investments and Olympia Capital.</p>
<p>3. Mr. Orumoi T. Jonah</p>		<p>DoB: 20thOctober 1978</p> <p>Mr. Orumoi, a member of the Board of Director's, holds a Master of Science Degree in Finance and Investment (Merit) from Queen Mary University of London, UK and is FACCA qualified. He graduated with a BA (Hons.) in Accounting & Finance from the University of East London, UK. He was the Managing Director of Tourism Finance Corporation and served as Head of Finance & ICT at the Kenya Tourism Board. He has previously worked as Finance & Leasing Contracts Manager/ Acting Head of Procurement at G4S and as a Senior Principal Finance Officer, Thurrock Council,UK.</p>

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Name of Director	Director's Photo	Key Professional/Academic Qualifications & Work Experience
4. Mr. Edwin Wanyonyi		<p>DoB: 26th June 1975</p> <p>Mr. Edwin, Chairman of the board audit committee, holds an MBA (UON) , Bachelor of Business Administration , Dip in Resource Mobilization, Cert in Strategic Leadership from Kenya Institute of Administration and a post graduate Diploma in Resource Mobilization from Kenya Institute of Management and certificate in Project Management. Member of KIM, Kenya Fundraising Professionals and National Steering Committee Member of UNDP Small Grants. A Taskforce Member of the Tourism Recovery Taskforce in Kenya. Currently he is the deputy directors, strategy and changes at KWS Over 12 years experience in strategic management both in the public and private sector.</p>
5. Ms. Fridah Njeru		<p>DoB: 26th January 1977</p> <p>Ms. Njeru, a member of the Board, is an Entrepreneur & Hospitality Professional with over ten (10) years experience in the Hospitality industry during which period she was in charge of executing sales and marketing strategies to maximize the profitability of the hotels she worked for. Ms. Njeru has a track record of building and supporting key client relationships and driving sales revenue of some of the biggest city hotels, park lodges and beach properties in the country.</p> <p>She is currently the Managing Director of Kilimani Bakeries Ltd; one of the top bakeries in Nairobi, where she oversees the daily operations, distribution, delivery and the business development of the bakery.</p> <p>Ms. Njeru is dedicated to professionalism and customer service and takes pride in providing a culture of collaboration that is based on mutual respect and building long-term, trusting relationships. She believes in sustainable living and is constantly looking to live in better harmony with the natural world.</p>

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Name of Director	Name of Director	Key Professional/Academic Qualifications & Work Experience
6. Mr John Karia Company Secretary		<p>DoB: 25th May, 1984</p> <p>Mr. John Saitoti Karia is an Advocate of the High Court of Kenya and a Certified Public Secretary. He is an active Member of the Law Society of Kenya, the Institute of Certified Public Secretaries of Kenya and the Chartered Institute of Arbitrators (Kenya Branch). He holds a Master’s degree in Law (LLM) from the University of Exeter (UK), a Postgraduate Diploma in Law from the Kenya School of Law and a Bachelor of Laws degree (LLB) from University of Nairobi. ICPSK – Member No. CPSB/2714</p>
7. Mr. Joseph Ndunda		<p>DoB: 28th December 1971</p> <p>Mr. Ndunda, is the General Manager of KSLH since 1st February 2021, he holds a Bachelor of Science in Hospitality Management from Greta University, Higher Diploma In Travel, Tourism & Hospitality, Association Of Business Executives (ABE), UK 2014 – 2016, Diploma In Travel Tourism & Hospitality, Association of Business Executives Food & Beverage Service and Sales (Credit), Kenya Utalii College Diploma In Hotel Operations and Management (Pass) from Cambridge Tutorial College and is currently pursuing Msc. Hospitality Management.</p> <p>Work Experience; General Manager Hill park Hotel, Nairobi, November 2019 - 31st January 2021 Merica Hotel, Nakuru, May 2018 – September 2019 General Manager Mbale Resort /Hotel, Uganda, April 2017- April 2018 Acting General Manager / Operations Manager Severin Sea Lodge (Severin Hotels), Mombasa Kenya Food & Beverage Manager (On Management Exchange Program) Sunderland Hotel (Severin Hotels), Saurland (4 Star), August 2013 - November 2013 Food & Beverage Manager / Lodge Manager Reliever Severin Sea Lodge (Severin Hotels), Mombasa Kenya (4 Star), February 2010-March 2015</p>

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III. MANAGEMENT TEAM

Name	Photo	Key Professional/Academic Qualifications & Work Experience
1. Mr John Karia Company Secretary		<p>DoB: 25th May, 1984</p> <p>Mr. John Saitoti Karia is an Advocate of the High Court of Kenya and a Certified Public Secretary. He is an active Member of the Law Society of Kenya, the Institute of Certified Public Secretaries of Kenya and the Chartered Institute of Arbitrators (Kenya Branch). He holds a Master's degree in Law (LLM) from the University of Exeter (UK), a Postgraduate Diploma in Law from the Kenya School of Law and a Bachelor of Laws degree (LLB) from University of Nairobi. ICPSK – Member No. CPSB/2714</p>
2. Mr. Joseph Ndunda		<p>DoB: 28th December 1971</p> <p>Mr. Ndunda, is the General Manager of KSLH since 1st February 2021, he holds a Bachelor of Science in Hospitality Management Greta University, Higher Diploma In Travel, Tourism & Hospitality, Association of Business Executives (ABE), UK 2014 – 2016, Diploma In Travel Tourism & Hospitality, Association of Business Executives Food & Beverage Service and Sales (Credit), Kenya Utalii College Diploma In Hotel Operations and Management (Pass) from Cambridge Tutorial College and is currently pursuing Msc Hospitality Management</p> <p>Work Experience;</p> <p>General Manager Hill park Hotel, Nairobi, November 2019 - 31st January 2021 Merica Hotel, Nakuru, May 2018 – September 2019 General Manager Mbale Resort /Hotel, Uganda, April 2017 - April 2018 Acting General Manager / Operations Manager Severin Sea Lodge (Severin Hotels), Mombasa Kenya Food & Beverage Manager (On Management Exchange Program) Sunderland Hotel (Severin Hotels), Saurland (4 Star), August 2013 - November 2013 Food & Beverage Manager / Lodge Manager Reliever Severin Sea Lodge (Severin Hotels), Mombasa Kenya (4 Star), February 2010-March 2015</p>

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Name	Photo	Key Professional/Academic Qualifications & Work Experience
2. Victor Mwambui		<p>DoB: 28th April 1962 Mr. Mwambui, the Administration Manager, was the Acting General Manager up to 31st January 2021. He is a graduate of Kenya Utalii College, Nairobi (Diploma in Hotel Management). He has a vast experience in hotel operations, administration and human resources management. He has over 28 years working experience and served in various roles in hotels and lodges managed by the former African Tours & Hotels Ltd (1990 –June 1998) and presently at Kenya Safari Lodges & Hotels Ltd (July 1998 to date). From August 2018 to date he’s been serving as the Acting General Manager.</p> <p>He is an Associate Member of the Association of Business Executives (UK) and holds an Advanced Diploma in Human Resource Management (ABE level 6) from the same institution. Locally, he is a member of the Tourism Professionals Association.</p>
3. Lillian Obura		<p>DoB: 29th December 1977 Ms. Obura the Ag. Finance Manager (KSLH) holds a Bachelor of Commerce degree (Accounting Option) from Africa Nazarene University and Diploma in Banking. Ongoing student of Masters in Business Administration (ANU). Member of Institute of Internal Auditors & ISACA.</p> <p>Work Experience: 2007- 2008- Accountant, Tamarind Mombasa 2008- 2013: Asst. Internal Auditor – KSLH 2014- January 2020 : Internal Auditor – KSLH 2020- to date: Ag. Finance Manager</p>
4. Eunice Nzilani		<p>DoB: 28th December 1982 Ms. Nzilani the Human Resource Manager(KSLH) holds Bachelor of Business Administration Human Resource degree from Jomo Kenyatta University Higher Diploma in HRM and Industrial relations Technical University of Mombasa Diploma in HRM and Industrial Relations(TUM) Member of Institute of Human Resource Management</p> <p>Work Experience: 2006-2010 –HRM Sai Rock Hotel 2011-HRO-A.Appreals</p>

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Name	Photo	Key Professional/Academic Qualifications & Work Experience
		<p>Jan 2012-Apr 2014 HRO –AWL 2014 – to date: Human Resource Manager-KSLH</p>
<p>5.Leonard Kusule</p>		<p>DoB: 8th October 1988</p> <p>Mr. Kusule is the Ag. Assistant Internal Auditor. He holds Bachelor of Commerce (Accounting)-University of Nairobi, CPA (K), Certificate in Retail Operations and Management from Artemis Business School, Member of the Institute of Internal Auditors.</p> <p>Work Experience Nov 2013 to Oct2015:Accountant- Busia County Cooperative Enterprise Development Fund Nov 2015 to Oct 2017: Branch Administrator/Internal Auditor-Tusker Mattresses Limited May 2018 to May 2020: Internal Audit Assistant-Kenya Safari Lodges & Hotels Limited June 2020 to date: Ag. Assistant Internal Auditor-Kenya Safari Lodges & Hotels Limited.</p>

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IV. CHAIRMAN'S STATEMENT

Year 2020 witnessed the unprecedented devastating impact on the world economy by the COVID19 pandemic. In 2021 this pandemic continues to create a challenging operating environment for the travel and hospitality industry. Many businesses across a wide spectrum of industries including the hotel and tourism sector have experienced a significant downturn in their trading activities owing to the continued uncertainty associated with the pandemic. The high expectations that 2021 will see a significant recovery in business have been dampened by successive waves of COVID 19 infections and the emergence of new variants. The initial measures imposed in early 2020 including restrictions in movements within the country and closure of the Kenyan airspace to international passenger flights resulted in suspension of operations in Voi and Ngulia Safari Lodges until end of September 2020. Successive waves of the pandemic have been associated with the easing and re-imposition of containment measures as governments locally and globally struggled to curb the increase in infections. The duration and severity of the pandemic on the global and local economy have adversely affected the business operations of the Company.

BUSINESS REVIEW

The beginning of the financial year 2020/2021 (FY 2020/21) under review coincided with the easing of restrictions in movements within the country as scheduled flight operations for domestic flights resumed on 15th July 2020. Scheduled international flights resumed on 1st August 2020 and foreign tourist business for the KSLH Tsavo lodges began showing signs of recovery. The Board and management of KSLH rolled out robust plans to implement business recovery strategies that were focused on addressing emerging COVID 19 pandemic related risks. The units worked hard to implement high standards of cleanliness and hygiene aligned to the public health guidelines and protocols for the hotel industry. During the first quarter of the financial year under review, the three KSLH business units were fully certified as COVID 19 compliant and the two Tsavo lodges began welcoming clients sourced locally and internationally. Mombasa Beach Hotel had high expectations of capturing local holiday makers during the festive season in the second half of December 2020 but bookings remained low due to the adverse effects of the second COVID 19 wave that hit the country in November 2020 leading to renewed restrictions and containment measures by government.

Local guests continue to be the main supporters of the hotel and lodge bookings and for Mombasa Beach Hotel bookings by Government Ministries, Department and Agencies (MDAs) for accommodation, conferencing, food and beverage services were the main generators of sales revenue during the first half of FY 2020/2021. As players in the tourism and hospitality sector ushered the new year 2021, a large number of hotels and lodges that had closed down in April – May 2020 due to COVID 19 began to re-open. This posed greater competition for KSLH properties particularly for Mombasa Beach Hotel conferencing business from MDAs. Another factor contributing to the reduction of business activity at Ngulia, Voi and Mombasa Beach Hotel was the surge of infections during the third COVID 19 wave starting March 2021 leading to imposition of restrictions of travel and declaration of thirteen counties upcountry as “red zones” of the pandemic. The last quarter of the FY 2020/2021 (April to June 2021) is also characterized as the low tourist season for the Tsavo lodges that depend on the foreign tourist market.

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As a result bookings for accommodation and conference facilities declined while occupancy levels at all three units reduced drastically.

FINANCIAL PERFORMANCE

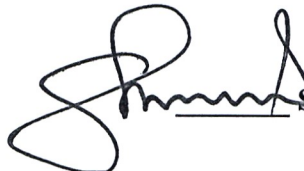
KSLH recorded an annual sales revenue of Ksh. 168,856,000 as at 30 June 2021 against a revenue budget of Ksh.504,000,000 representing a variance of 66 % below budget. Compared to FY2019/2020 sales turnover this represents a difference of Ksh.233,069,000 or a 58 % drop in revenues. Gross margin achieved for 2020/2021 FY was Ksh.115,668,000 against an estimate of Kshs 394,896,356 representing a reduction of 71 % compared to budget. A comparison with the gross profit of Ksh.282,047,000 for 2019/2020 FY, translates to a reduction in GP of 59% below the previous year.

KSLH realized an operating loss of Ksh. (109,715,000) compared to budget estimated profit of Ksh. 19,597,000 and last year, Ksh.21,517,000.

CHALLENGES FACING THE COMPANY

1. **Facilities:** all three KSLH units require a comprehensive program of complete renovations and upgrading.
2. **Plant, equipment, furniture and fittings:** a large proportion of these across the Company are fully depreciated, unserviceable and obsolete. They require complete overhaul.
3. **Motor vehicles:** The set of seven vehicles are fully depreciated, unserviceable and obsolete. There is need for total replacement with new ones.
4. **Business challenges:** the company faces stiff competition from hotel & lodges with modern facilities and has challenges attracting and retaining high value clients owing to the aged status and tired look of the facilities.
5. **Trade creditors, statutory liabilities and unremitted payroll deductions:** the Company is struggling to clear outstanding VAT, PAYE and Tourism Fund levy because of constrained cash flows associated with poor business and negative working capital. Payment plans in place relate to historical debts and KSLH is struggling to meet current tax liabilities and other obligations (pension scheme contributions, SACCO and staff terminal benefits arrears etc)
6. **Debt Collection:** Debt recovery is slow and negatively impacts on cash flows due to long processes in payments by government institutions.
7. **Technical Insolvency:** the Company has been on the brink of technical insolvency arising from persistent losses and very weak and negative working capital. KSLH continued operation as a going concern is dependent upon the support of its creditors, shareholders and Government.

Chairman- Board of Directors

 **September 2021**

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V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The beginning of FY 2020/2021 coincided with the easing of COVID 19 containment measures instituted by government in March 2020. These measures included among other things, the suspension of passenger flights, night curfews and banning of alcohol sales in hotels and restaurants. But with easing of some the stringent measures, scheduled domestic flight operations resumed on 15th July 2020 and scheduled international flights resumed on 1st August 2020. Thus during the first quarter of FY 2020/2021 business operations in Voi and Ngulia Safari Lodges were re-opened with a lot of interest coming from local tour operators and ground handlers representing the foreign tourist markets. The re-opening of KSLH units was subject to certification as compliant with the public health COVID 19 protocols. Mombasa Beach Hotel, which had served as a quarantine centre from March to June 2020, was also cleared for normal business operations by the public health authorities. During the second quarter of the FY 2020/2021 operation activities in the KSLH units gradually picked up as reflected in the increased bookings for accommodation and utilization of conferencing and restaurant and bar service. However this gradual growth in demand in the first half of the financial year would slow down owing to continued business disruptions arising from the successive waves of COVID 19 infections. The second wave in July 2020 gave way to the third wave in November 2020 culminating in the third wave in March 2021. This resulted in re-introduction of further containment measures to curb the spread of the pandemic. Arising from the forgoing situation the high management expectations of sustained gradual growth in occupancy levels across all KSLH units and increased sales of conferencing , food and beverage services did not bear fruit.

TURNAROUND STRATEGIES FOR POST -COVID 19 BUSINESS RECOVERY

The successive waves of the pandemic were associated with emerging risks that required to be quickly addressed to mitigate against the sustained downturn in business levels in the second half of the financial year. The poor financial performance and the related constrained cash flows led to difficulties in meeting obligations to pay suppliers invoices on time, disrupted existing payment plans for settling pending bills including statutory obligations. Strategies implemented in the face of these challenges include stringent cost management involving suspension of all capital improvement projects, stoppage of staff recruitment in progress and re-negotiation of arrangements to clear pending bills suppliers and other creditors.

Other business challenges arising from the worsening pandemic situation affected the marketing and sales strategies put in place for business recovery. The sales team faced challenges attracting foreign tour operators in the source markets in the EU countries, North America and Asia due to the COVID 19 related travel advisories issued by a number of these countries.

At the beginning of 2021 there were high expectations about the roll –out of the COVID 19 vaccinations but it soon became apparent that there was insufficient capacity in terms of vaccinations to cover large populations including workers of the hospitality industry would require considerable

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amount of time. There was also lack of clarity regarding COVID testing and certifications requirements for visitors to Kenya from countries considered “red zones” of the pandemic. In January 2021, in view of the concerns raised, the government introduced the digital verification of COVID19 certificates through deployment of technology called “Trusted Traveller” which provided easy access for inbound visitors to Kenya to submit TT certificates at the airports and other points of entry

FINANCIAL PERFORMANCE

KSLH recorded an annual sales revenue of Ksh. 168,856,000 as at 30 June 2021 against a revenue budget of Ksh.504,000,000 representing a variance of 66 % below budget. Compared to FY2019/2020 sales turnover this represents a difference of Ksh.233,069,000 or a 58 % drop in revenues. Gross margin achieved for 2020/2021 FY was Ksh.115,668,000 against an estimate of Kshs.394,896,356 representing a reduction of 71 % compared to budget. A comparison with the gross profit of Ksh.282,047,000 for 2019/2020 FY, translates to a reduction in GP of 59% below the previous year.

KSLH realized an operating loss of Kshs. (109,715,000) compared to budget estimated profit of Kshs. 19,597,000 and last year, Ksh.21,517,000. This was due to a drastic reduction in occupancy levels across all the units and reduced utilization of Mombasa Beach Hotel conference facilities and food & beverage services.

KSLH OPERATIONS AND FACILITIES ASSESSMENT

KSLH has experienced financial difficulty and erosion of shareholders capital due to a combination of the following factors;

1) Aged facilities and old equipment, furniture and fittings:

Most of the buildings and facilities are old and aged requiring complete facelift; most of the equipment, furniture and fittings are fully depreciated and unserviceable posing challenges to operations and efficient service delivery to clients. Areas that call for complete overhaul of operating equipments include:

a) Mombasa Beach Hotel

- **Kitchen cooking ranges and bakery oven;** cold rooms and freezers, laundry equipment, food and beverage equipment for bars and restaurants; Stainless steel storage racks & other sundry equipment
- **Guest rooms refurbishment** including balcony sliding doors, bathrooms and main bedroom doors

b) Voi & Ngulia Safari Lodges

- **Kitchen cooking ranges and bakery oven;** cold rooms and freezers, laundry equipment, food and beverage equipment for bars and restaurants; Stainless steel storage racks & other sundry equipment

2) High operation costs - high cost of repairs and maintenance due to aged and worn out facilities, high electricity, water and staff costs.

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- 3) **Business challenges** – the units are facing great challenges in attracting and retaining good businesses due to the status of the facilities.
- 4) **Revenue decline** - decline in rooms sales due to the status of the rooms. Influx of new hotels and global brands that have increased competition.
- 5) **Statutory deductions** – the units are not remitting statutory deductions including staff deductions as they should: SACCO, loans to Commercial Banks, Staff Welfare, union’s dues, PAYE and Tourism Fund levy.
- 6) **Pending bills (suppliers and other creditors)** – huge levels of unpaid bills; persistent problem of non- payment of suppliers of goods and services on time as per credit terms.
- 7) **Poor debt collection** – KSLH lacks a dedicated debt recovery department and required staff to undertake credit control debt collection functions and responsibilities.
- 8) **Funding needs** – unable to attract private and or commercial funding
- 9) **Financial downturn experienced in the tourism sector due to external factors** e.g. COVID-19 pandemic, insecurity, political disruption and seasonal fluctuations.
- 10) **Human resources**- gaps in training and professional development.



Joseph Ndunda
General Manager

16 September 2021

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VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

KSLH has four strategic objectives within the current strategic plan for the FY 2021 - FY 2025. These strategic objectives are as follows;

Priority Area	Strategic Objectives
Financial sustainability of KSLH	<ol style="list-style-type: none"> 1. Develop new sources of revenue streams 2. Strengthen cost reduction measures
Customer satisfaction	<ol style="list-style-type: none"> 1. Increase market share 2. Increase customer retention 3. Strengthen brand awareness 4. Strengthen partnership with stakeholders
Internal Business process	<ol style="list-style-type: none"> 1. To renovate and refurbish KSLH facilities 2. Improve ICT for increased business 3. Enhance creativity and innovation
Learning and growth	<ol style="list-style-type: none"> 1. Recruit professionals who create success for customers 2. Train and develop staff 3. Develop and implement performance culture 4. Build capacity of Board members

KSLH develops its annual work plans based on the above four pillars/objectives. Assessment of the Board's performance against its annual work plan is done on quarterly basis. KSLH achieved its performance targets set for the FY 2020/2021 for the period for its three strategic pillars/objectives as indicated in the diagram below;

Strategic Pillar	Objective	Key Performance	Activities	Achievements
Customer satisfaction	Increase market share	Customer satisfaction	Sales and Marketing activities	Familiarization trips for Local Tour Operators.
	Increase customer retention			Influencer engagements
	Strengthen brand awareness			Mainstream Media visibility and social media awareness.
	Strengthen partnership with stakeholders			Recognition of repeat clients.

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				KSLH increased domestic client database by 40%
Internal Business process	To renovate and refurbish KSLH facilities Improve ICT for increased business	Improved revenue streams.	Request for funding from National treasury and shareholders injection. Refresher training on use of existing ICT systems to maximize value for money	Approved budget for Repairs and maintenance of facilities Enhanced internal control systems.
Learning and growth	Recruit professionals who create success for customers Train and develop staff Develop and implement performance culture Build capacity of Board members		Training, professional recruitment and appraisals.	Recruitment of the General Manager done in February 2021 Conducted various training programs to staff vide internal and external training. Team building for all management staff. Board of directors' induction & Mwongozo training

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VII. CORPORATE GOVERNANCE STATEMENT

Kenya Safari Lodges & Hotel Ltd (“KSLH”) is a limited liability company registered under the Kenya Companies Act whose share holding is as follows:

Shareholder	No. of Shares	% Shareholding
Tourism Finance Corporation	4,110,855	82.45%
Mountain Lodges Ltd	884,853	17.53%
Kenya Wildlife Service	1,016	0.02%

Board of Directors

Kenya Safari Lodges & Hotel has Articles of Association as prescribed by the law and under Article 85 the authority to appoint Directors is vested in the Board of Directors. It is the practice that directors are nominated for appointment to the Board of Directors by the shareholders mainly on prorate basis.

The Board is guided by the Board Charter, Government circulars and relevant laws and regulations.

During the period under review the Board consisted of 4 substantive directors and 3 alternate directors as follows:

TFC

Three (3) directors including the Chairman of the Board.

One (1) alternate director (alternate to Managing Director, TFC)

Mountain Lodges Ltd

One (1) director

KWS

One (1) alternate director to the Director-General (KWS)

Ministry of Tourism

One (1) alternate director representing the Principal Secretary, Tourism

National Treasury

One alternate director representing CS, National treasury

Directorships

KSLH Articles of Association Clause 84 provide that the number of Directors shall not be less than two and not more than ten directors. Under Clause 85 of the Articles of Association, provision has been made for the Board, from time to time, to appoint any other person as director, either to fill a casual vacancy or as an addition to the Board so long as at any time the number of directors shall not exceed the maximum number fixed.

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Clause 91 of the Articles of Association of the Company provides that directors may elect a Chairman of their meeting and determine the period for which he is to hold office.

The Chairman of the Board is a non executive independent director along with another director nominated by TFC. The directors have a wide range of business and professional skills and experience.

Board Responsibilities

The roles of the board and Management are separate and their responsibilities clearly defined.

The Board defines the Company's strategic intent, objectives and values and ensures that procedures and practices are in place, to protect the Company's assets and reputation. It is responsible for the stewardship of the Company and assumes responsibility for retaining full and effective control over the Company. The Board also controls, supervises and administers the assets of KSLH; determines the provisions to be made for capital and recurrent expenditure of KSLH; enters into association with other bodies or organizations within or outside Kenya as the Board may consider desirable or appropriate; authorize the opening of banking accounts and acts responsibly towards the Company's stakeholders.

The conduct of Board members is consistent with their duties and responsibilities to the Company and they must always act within the limitations imposed by the Mwongozo Code of Conduct.

In order to ensure that the Board is able to discharge its responsibilities, the management is required to provide adequate and timely information on the Company's policies. It also considers an operational report from the General Manager; management accounts for each quarter; reports from each Board Committee; specific proposals for capital improvements; and major issues and strategic opportunities for the Company.

The Company Secretary advises the Board on all corporate governance matters and statutory requirements as well as attends all the Board meetings.

Board Committees

The Board has set up one main committee as outlined below with delegated mandate as stipulated. The committee is:

Board Audit Committee: the membership comprised of Mr. Edwin Wanyonyi (Chair), Mr. Jonah T. Orumoi, Mr. Kibuga Kariithi and Ms. Frida Njeru (Member).

Since Kenya Safari Lodges and Hotel is a state corporation, this committee is guided by the guidelines for audit committees in the public sector issued by the Treasury. Its main activities are to determine whether risks, internal controls and compliance maturities are reasonably in place, planned and directed, for goals of KSLH to be realized as expected by stakeholders. It does this by overseeing the auditing and financial reporting processes of KSLH.

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VIII. MANAGEMENT DISCUSSION AND ANALYSIS

The company sales revenue decreased by 58% to Kshs.169M from Kshs.402M attained in FY2019/2020. All the 3 Units of KSLH, recorded decreased sales revenues compared to the previous year, which was way below the targeted sales in the annual budget 2020/2021. This was as a result of the effect of COVID 19 global Pandemic and the associated business downturn hence negative impact on the occupancy levels.

The company performance trend for the last five years is as tabulated below;

Kshs '000	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Revenue	235,689	300,951	435,949	369,773	154,003
Profit/Loss	(73,937.00)	(35,781)	27,688	21,517	(109,715)

Although the renovation project was scheduled to begin at the beginning of the period under review this was set-aside due to lack of funding. Therefore the company was only able to undertake minimal capital improvement to replace the worn machines and equipments especially at Mombasa Beach Hotel and much more is yet to be achieved. As a result KSLH properties are unable to command a leadership position in market share within their respective locations.

The company's statutory and other financial obligations have continued to increase as shown below. This state of affairs is attributed mainly by historical liabilities accrued over the years, decreasing revenues and profitability experienced in the last five years.

	AMOUNT
VAT	238,692,290
WITHOLDING TAX	9,943,448
PAYE	176,505,640
CLT	56,255,932
PENSION	28,179,303
SACCO	3,716,200
TRADE CREDITORS	106,976,295

Consequently the company is facing liquidity risk, due to the negative working capital casting doubt on the ability of the company to meet its financial obligation when they fall due and its continued existence as a going concern depends on the continued support from its creditors.



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Management is hopeful that the company is going to maintain profitability as indicated as long as COVID 19 pandemic curve is flattened and normal business resumes. Meanwhile Management has reviewed its Strategic plan, putting more emphasis on all its trading units to ensure revenues start rising to enable the company reduce its trade creditors and other liabilities. Out of court settlement and negotiations on payment modalities have also been undertaken between trade creditors, other creditors and KSLH, the company having been issued with demand letters.

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IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

KSLH exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services and improving operational excellence.

KSLH is committed to carrying out its business and affairs in a socially responsible, sustainable and meaningful way, taking into account ethics, economic development and the environment while improving the quality of life of the workforce, their families, local community and society at large.

KSLH focused its commitment and contributions along the lines of the following core themes:

- (i) **Sustainability strategy and profile-** during the year, KSLH undertook drastic measures on cost management to keep the company afloat. Ongoing negotiations with Trade creditors and others on fair prices and payment modalities, engagement with our main banker and shareholders on financing. KSLH also undertook rigorous Sales and marketing activities with an aim of boosting revenue.
- (ii) **Environmental performance-** During the year KSLH undertook several beach cleaning exercises geared towards protection and rehabilitation of the environment more specifically the beach environment. The lodges planted trees to mark the world environmental day. We conducted NEMA audits to ascertain that our environment met the required threshold.
- (iii) **Employee welfare-** during the year HR instruments was reviewed by SCAC in line with the best practice. The instruments were presented to the Board of directors and are pending approval and implementation due to the merger. The instruments are holistic in nature taking into account professional hiring modalities, gender ratios and regional balance. KSLH is prescribed to the implementation of Occupational safety and health Act of 2007, (OSHA).
- (iv) **Market place practices –** KSLH ensures responsible competition practices by addressing issues of corruption, fair competition and respect for competitors. KSLH is not affiliated to any political party but respects all as possible clients.

Corporate social responsibility/Community engagements

- a. **Education-** During the year KSLH endeavored to support educational activities which include HIV/AIDS awareness, Career development among the vulnerable groups and Special projects geared towards empowerment of the youth through internship.
- b. **Sports promotion -**KSLH has sports teams for men and women which participate in local tournaments.
- c. **Beautification projects -** KSLH sought to partner with other stakeholders in beautification of the city of Mombasa. The lodges have also partnered with KWS on environmental clean-ups within the parks.
- d. **Local community programs-**During the year KSLH partnered with local community in CSR activities like provision of food and basic donations.



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X.REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Kenya Safari Lodges and Hotels affairs.

Principal activities

The principal activity of the Kenya Safari Lodges and Hotels is ownership and operation of hotel and lodge facilities in Kenya. KSLH vision is to provide premiere hospitality experiences in Kenya; the mission is to enhance customer value by offering premiere Hospitality experiences with an African heritage and core values are Integrity Service excellence Discipline Team work Innovation Social responsibility Dedication and commitment

Results

The results of the entity for the year ended June 30, 2021 are set out on page 1

Dividends

The Directors' do not recommend the payment of dividend this year.

Directors

The members of the Board of Directors who served during the year are shown on page 4 In accordance with Regulations of the Kenya Safari Lodges and Hotels Ltd Memorandum and Articles of Association; Mr. Anthony Kingi was appointed as the new Chairman of the board of directors with effect from 24th September 2020 replacing Mr. Franklin Ndi.

Auditors

The Auditor General is responsible for the statutory audit of the Kenya Safari Lodges and Hotels Ltd in accordance with article 229(4) (5) (6) and (7) of the Constitution of Kenya and Public Audit Act 2015 and the Public Finance Management (PFM) Act 2012.

By Order of the Board


Mr. John Karia
Corporation Secretary

Mombasa

Date:.....

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XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81(5) of the Public Finance Management Act, 2012 and section 14(3) of the State Corporations Act, require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year/period. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the KSLH's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2021, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

The directors noted the liquidity risk facing the company and within the year the shareholders supported the company in improving the facility to generate more revenues.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

KSLH financial statements were approved by the Board on the Day of 2021 and signed on its behalf.

Signature.....

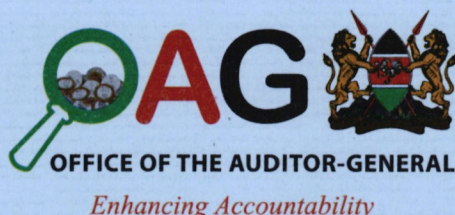
Mr. Christopher Huka
Chairman of the Board

Signature.....

Mr. Joseph Ndunda
Accounting Officer

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA SAFARI LODGES AND HOTELS LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Safari Lodges and Hotels Limited set out on pages 1 to 21, which comprise of the statement of financial position as at 30 June, 2021, and the statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions

of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Safari Lodges and Hotels Limited as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Management Act, 2012 and the Kenyan Companies Act, 2015.

Basis for Qualified Opinion

1. Variances in Trade and Other Payables

The statement of financial position as at 30 June, 2021 reflects trade and other payables balance of Kshs.728,703,000 and as disclosed in Note 24 to the financial statements. However, recasting of the balances under Note 24 gives a total of Kshs.727,702,000 resulting in an unexplained variance of Kshs.1,000,000.

Further, review of the schedules supporting trade and other payables indicated a balance of Kshs.728,938,000, resulting in a variance of Kshs.235,000. The variances were not explained or reconciled.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.728,703,000 as at 30 June, 2021 could not be confirmed.

2. Unconfirmed Ownership of Freehold Land

The statement of financial position and as disclosed in Note 16 to the financial statements reflects Kshs.600,872,000 in respect to property, plant and equipment which includes Kshs.586,730,000 in respect to land and buildings. This includes a freehold land in Mombasa valued at Kshs.360,000,000 whose title deed was not provided for audit verification.

Further, records provided for audit review revealed that land amounting to Kshs.40,000,000 was charged to other parties.

In the circumstances, the ownership, accuracy and completeness of property, plant and equipment of totalling to Kshs.586,730,000 as at 30 June, 2021 could not be confirmed.

3. Undisclosed Loan Balance

The statement of financial position and as disclosed in Note 23 to the financial statements reflects long term and short-term borrowings balances of Kshs.7,525,000 and nil, respectively. Records provided for audit review indicated that the Company entered into an agreement with an insurance firm to provide insurance services financed by a commercial bank in a Tri-Partite Insurance Premium Agreement at 13% reducing balance interest rate on a loan totalling to Kshs.2,799,371. However, the loan was not recognized and included in the financial statements as a liability. In addition, Board approval of the loan facility or the tri-partite agreement was not provided for audit review.

In the circumstances, the accuracy and completeness of the loan balance totalling to Kshs.7,525,000 as at 30 June, 2021 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Safari Lodges and Hotels Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Material Uncertainty Related to Going Concern

As previously reported, I draw attention to the disclosure in Note 32 to the financial statements which indicates that the Company is facing a liquidity risk due to its negative working capital amounting to Kshs.534,767,000 resulting from its total current liabilities of Kshs.732,828,000 exceeding its total current assets of Kshs.198,061,000 as at 30 June, 2021. In addition, the Company had accumulated losses totalling to Kshs.514,767,000 as at 30 June, 2021 (2020: Kshs.404,288,000). The Management and the Directors have disclosed that this unsatisfactory situation is being addressed through review of marketing strategies with focus on lodges and negotiations and out of court settlement with the creditors.

Further, as previously reported, the Company in 2013/2014 financial year successfully negotiated for conversion into equity of a loan totalling to Kshs.75,554,000 received from the Tourism Finance Corporation. The interest accrued thereon was waived. However, despite these actions, the working capital position of the Company and its overall financial performance have continued to decline.

These conditions indicate the existence of a material uncertainty that cast doubt on the Company's ability to meet its financial obligations as they fall due, and to continue as a going concern. Therefore, the Company's existence as a going concern is dependent upon continued support from its shareholders, bankers and creditors.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts, reflects that the Company had a final revenue budget of Kshs.504,000,000 but the actual revenue amounted to

Kshs.168,856,000, resulting in a shortfall of Kshs.335,144,000 or 66% of the budget. Similarly, the statement reflected a total expenditure budget of Kshs.483,903,000 whereas actual expenditure was Kshs.278,335,000, resulting in under-expenditure of Kshs.205,568,000 or 42% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

2. Forfeiture of Cash Receipts on Sale of Shares

As previously reported, the share capital of the Company was increased from Kshs.9,319,000 to Kshs.100,954,000 by a rights issues of 5,047,724 ordinary shares of Kshs.20 each in October, 2013. The shares were offered to existing shareholders at Kshs.20 per share based on par value. However, the net assets of the Company as at 30 June, 2013 amounted to Kshs.667,399,000, and therefore the net assets value of each share was Kshs.145.65. As a result, the rights issue price of Kshs.20 per share was undervalued by Kshs.125.65 and resulted in loss to the Company of significant cash receipts that may otherwise have helped in reversing the Company's unfavorable cash position.

3. Unresolved Prior Year Matters

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or disclosed all the prior year matters as provided by the Public Sector Accounting Standards Board templates.

Other Information

The Directors are responsible for the other information, which comprise the Chairman's Report, Directors' report, the statement of corporate governance, management discussions and responsibilities, statement of environmental and sustainability reporting, corporate social responsibility and the statement of Directors' responsibilities.

The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Long Outstanding Trade and Other Receivables

The statement of financial position reflects a balance of Kshs.161,618,000 in respect of trade and other receivables which as disclosed in Note 19 to the financial statements, includes gross trade debtors' balance of Kshs.136,519,000 before bad debts provisions of Kshs.6,631,000. An amount of Kshs.132,018,647 or 97% of the gross trade debtors had been outstanding for more than six months as of 30 June, 2021 and may not be recovered in full.

In the circumstances, existence of effective measures to recover debts could not be confirmed.

3. Unremitted Statutory Deductions

The statement of financial position as at 30 June, 2021 reflects trade and other payables balance of Kshs.728,703,000 and as disclosed in Note 24 to the financial statements. The balance includes Value Added Tax (VAT) Catering Levy and other payables amounting to Kshs.538,123,000. The latter further includes an amount of Kshs.13,465,286 in respect of unremitted Pay As You Earn (PAYE).

In the circumstances, the Company risks losing funds due to interest and penalties that may arise from non-remission of the VAT, PAYE and Catering Levy deductions to the Kenya Revenue Authority and other relevant government agencies.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Lack of Strategic and Operational Plans

Review of the Company's general information and operational environment revealed that the Company did not have a Strategic Plan and an Operational Plan for the financial year 2020/2021. Through the Strategic and Operational Plans, the Company's key

performance indicators could have been determined at the organizational level and extended to business units, departments, teams, and individuals.

In the circumstances, the Company's business strategy, performance objectives, measurements and indicators could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015, I report based on the audit, that:

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;
- (ii) In my opinion, adequate accounting records have been kept by Company, so far as appears from the examination of those records; and,
- (iii) The Company's financial statements agree with the accounting records and returns.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 July, 2022

KENYA SAFARI LODGES AND HOTELS LIMITED
Annual Report and Financial Statements
For The Year Ended June 30, 2021

XIII. STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021

		JUNE	JUNE
	Notes	2021	2020
		Shs'000	Shs'000
TURNOVER	4	154,003	369,773
COST OF SALES	7	(38,335)	(87,726)
GROSS PROFIT		115,668	282,047
OTHER INCOME	5	7,708	8,591
TOTAL INCOME		123,376	290,638
OPERATING COSTS	8	(40,524)	(62,492)
STAFF COSTS	9	(151,445)	(168,365)
ADMINISTRATIVE COSTS	10	(18,830)	(17,322)
REPAIRS AND MAINTENANCE	11	(10,693)	(19,866)
ADVERTISING AND PROMOTION	12	(1,553)	(1,967)
GENERAL EXPENSES	13	(6,389)	(9,795)
DEPRECIATION	16	(9,903)	(11,866)
AMORTIZATION			
TOTAL EXPENSES		239,338	291,674
OPERATING PROFIT/(LOSS)		(115,962)	(1,036)
FINANCE INCOME	6	7,145	23,561
FINANCE COSTS	14	(662)	(1,009)
EARNINGS BEFORE EXTRA ORDINARY ITEMS		(109,479)	21,517
PROFIT\ (LOSS) BEFORE TAX		(109,479)	21,517
INCOME TAX EXPENSE/(CREDIT)		-	
PROFIT AFTER TAX		(109,479)	21,517
PROVISION FOR BAD DEBTS			
LOSS FOR THE YEAR			

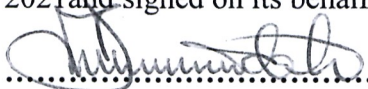


KENYA SAFARI LODGES AND HOTELS LIMITED
Annual Report and Financial Statements
For The Year Ended June 30, 2021


XIV. STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2021

	Notes	2021	2020
		Shs'000	Shs'000
ASSETS			
NON-CURRENT ASSETS			
Properties, Plant and Equipment	16	600,872	629,037
Intangible assets	17	0	0
CURRENT ASSETS			
Inventories	18	7,801	10,983
Trade and other receivables	19	161,618	173,366
Short term Deposits	29	22,810	21,029
Cash and cash equivalent	25	5,832	63,626
Sub-total		198,061	269,004
TOTAL ASSETS		798,933	898,041
EQUITY AND LIABILITIES			
OWNERS' EQUITY			
CAPITAL AND RESERVES			
Share Capital	20	100,954	100,954
Revaluation Reserve	22	467,393	486,727
Retained Earnings	21	(513,767)	(404,288)
Shareholders' Funds		54,580	183,393
NON-CURRENT LIABILITIES			
Borrowings -long term	23	7,525	8,728
Contingent Liabilities	28	4,000	4,000
Sub-total		11,525	12,728
CURRENT LIABILITIES			
Borrowings-short term		0	0
TFC Loan	26	4,125	3,610
Trade and other payables	24	728,703	698,310
Other payables		0	0
		732,828	701,920
TOTAL OWNERS' EQUITY AND LIABILITY		798,933	898,041

The financial statement was approved by the Board of directors on theday..... of 2021 and signed on its behalf by:



General Manager
Joseph Ndunda



Ag. Finance Manager
Lillian Obura

.....
Chairman of the BoD
Mr. Christopher Huka

KENYA SAFARI LODGES AND HOTELS LIMITED
Annual Report and Financial Statements
For The Year Ended June 30, 2021

XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Ordinary Shares Kshs '000'	Revaluation Reserve Kshs '000'	Profit & Loss Account Kshs '000'	Total Kshs '000'
As at 30 June 2019	100,954	505,722	(425,805)	180,871
Rights Issue				-
Prior year adjustment		-		-
Revaluation surplus				-
Net Profit for the year			21,517	21,517
Prior year adjustment on revaluation				-
Transfer To Depreciation Equivalent		(18,995)		(18,995)
As at 30 June 2020	100,954	486,727	(404,288)	183,393
Rights Issue				
Prior year adjustment				
Revaluation surplus				
Net Profit for the year			(109,479)	(109,475)
Prior year adjustment on revaluation				
Transfer To Depreciation Equivalent		(19,334)		(19,334)
As at 30 June 2021	100,954	467,393	(514,767)	54,580

The financial statements were approved by the Board on **21st September 2021** and signed on its behalf by:


General Manager

Name: Mr. Joseph Ndunda

Signature:.....

Ag. Finance Manager

Name: Lillian Obura

Signature:.....

Chairman of the Board

Name: Mr. Christopher Huka

Signature:.....



KENYA SAFARI LODGES AND HOTELS LIMITED
Annual Report and Financial Statements
For The Year Ended June 30, 2021

XVI. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2021

		JUNE	JUNE
		2021	2020
		Shs'000	Shs'000
Operating activities			
Profit/(Loss) before tax		(109,479)	21,517
Adjustments for:-		-	-
Gain on sale of fixed assets		-	-
Depreciation	16	9,903	11,866
Amortization		-	-
Prior year adjustment		2	(5)
Interest income (from KCB fixed deposit)	6	(1,781)	(1,125)
Finance cost	14	662	1,009
Cash flow from/(used in) operations before		(100,692)	33,262
Working capital changes:			
(Increase)/Decrease in inventories	18	3,182	(1,201)
(Increase)/Decrease in Trade and receivables	19	11,748	13,012
Increase/(Decrease) in Payables and accruals	24	33,234	2,407
Sub-Total		48,164	14,219
Net cash flow from operating activities		(52,528)	47,481
Investing activities			
Short term Investment	29	(1,781)	(21,029)
Purchase of fixed assets	16	(1,074)	(9,672)
Proceed from sale of Fixed Assets		-	-
Interest received	6	1,781	1,125
Net cash flow from investing activities		(1,074)	(29,576)
Financing activities			
Rights Issue proceeds		0	0
Loan repayment	23,26	(688)	(2375)
Service Gratuity settlement	24	(2,842)	(1000)
Bank overdraft	26	0	(4112)
Payment of Finance cost	14	(662)	(1009)
Net cash flow from financing activities		(4,192)	(8,496)
Net Cash Flow from the year 2021		(57,794)	9,409
Cash and cash equivalents at the beginning of the year		63,626	54,217
Cash and Cash Equivalents at the End of the Year	25	5,832	63,626

KENYA SAFARI LODGES AND HOTELS LIMITED
Annual Report and Financial Statements
For The Year Ended June 30, 2021

XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2021

	Original Budget	Adjustment	Final Budget	Actual On Comparable Basis	Performance Difference	% Variance
	2020-2021 Kshs'000'	2020-2021 Kshs'000'	2020-2021 Kshs'000'	2020-2021 Kshs'000'	2020-2021 Kshs'000'	
SALES	504,000	-	504,000	168,856	(335,144)	67%
COST OF SALES	109,104	-	109,104	38,335	70,768	65%
	0		-	-	-	
GROSS PROFIT	394,896	-	394,896	130,521	(264,375)	67%
	0		-	-	-	
EXPENDITURE	0		-	-	-	
Salaries Wages	142,685	-	142,685	94,399	(48,286)	
Staff Expenses	68,397	-	68,397	46,959	(21,438)	
Staff Travel	12,332	-	12,332	10,088	(2,244)	
Property Upkeep & Expenses	12,861	-	12,861	6,389	(6,472)	
Repairs & Renewals	18,725	-	18,725	8,891	(9,834)	
Operating Costs	75,966	-	75,966	42,326	(33,640)	
Office Expenses	8,207	(148)	8,059	5,586	(2,473)	
Administration Expenses	4,000	148	4,148	4,148	(0)	4%
Directors' fees/expenses	4,500	-	4,500	3,755	(745)	
Advertising & Promotion	5,548	-	5,548	1,553	(3,995)	
General Charges	10,152	(328)	9,824	5,341	(4,483)	
Depreciation & Amortization	9,575	328	9,903	9,903	0	3%
Interest & Other Charges	1,850	-	1,850	662	(952)	
TOTAL OPERATING EXPENSES	374,799	-	374,799	240,000	(134,563)	
OPERATING PROFIT	20,098	-	20,098	(109,479)	(129,813)	(545%)

Notes to budget variances

Both Administrative expenses and depreciation and amortization surpassed the budget by 4% and 3% respectively. We noted that, the costs went above the budget as a result of under providing for depreciation.



KENYA SAFARI LODGES AND HOTELS LIMITED
Annual Report and Financial Statements
For The Year Ended June 30, 2021

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya Safari Lodges and Hotel Ltd was incorporated under the Kenya Companies Act (Cap 486) KSLH is classified as a State Corporation by virtue of being a subsidiary of Tourism Finance Corporation (TFC,) which has a direct controlling stake of 82.45% of shares its domiciled in Kenya. The entity's principal activity is ownership and operation of hotel and lodge facilities in Kenya.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

For the Kenyan Companies Act reporting purposes, in these financial statements the balance sheet is equivalent to the statement of financial position and the profit and loss account is included in the statement of profit or loss and other comprehensive income.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity.

The financial statements have been prepared in compliance with the PFM Act, the state Corporation Act, and International Financial Reporting standards (IFRS) issued by the International Accounting Standards Board (IASB). The financial statements have been prepared and presented in Kenya shillings (Kshs) rounded to the nearest thousand.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND ACCOUNTING POLICIES

a) Revenue Recognition

Turnover represents billings to guests and casual customers for accommodation, food and other services provided net of Value Added Tax, returns and rebates. Interest income is recognized when it accrues, by reference to the principal outstanding and the interest rate applicable. All other revenues are recognized at the time goods are supplied or services are provided.

KENYA SAFARI LODGES AND HOTELS LIMITED
Annual Report and Financial Statements
For The Year Ended June 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Property, Plant and Equipment

All Property, Plant and Equipment are stated at cost or revaluation less depreciation. The Mombasa Beach Lease is for a term of 99 years while Leases for Voi and Ngulia Safari

Lodges were for a term of 50 years up to 2018 and 2019 respectively. Property, Plant and Equipment acquired under finance lease agreement are capitalized at the date of the agreement. Depreciation on assets other than land is calculated on the straight-line basis at annual rates estimated to write off the assets over their expected useful lives. While the value of land for Voi Safari Lodge & Ngulia Safari Lodge is amortized over the lease period.

The annual rates used are as follows: -

Buildings	30 years or the unexpired lease
Plant, Machinery, Furniture & Fittings	8 years
Vehicles	4 years
Computers	3 years
Intangible assets (soft ware's)	3 years

c) Intangible Assets

Intangible assets represent computer software which is stated at cost less amortization. Amortization is calculated to write off the cost of the assets on a straight-line basis over their estimated useful life of 3 years.

d) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out (FIFO) method. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

e) Foreign Currency

Transactions during the year are converted into Kenya currency at the rate ruling at transaction dates. Assets and Liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya currency at rates ruling at that date.

The resulting differences from conversion and translations are dealt with in the profit and loss account in the year in which they arise.



KENYA SAFARI LODGES AND HOTELS LIMITED
Annual Report and Financial Statements
For The Year Ended June 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Trade Receivables

Trade receivables are carried at anticipated realizable value. An estimate is made for doubtful receivables based on the review of all outstanding amounts at the end of the year. Bad debts are written off when all reasonable steps to recover them have failed.

g) Loans/Bank Borrowings

Interest bearing loans and overdrafts are recorded as the proceeds are received, net of direct issue costs. Finance charges including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period they arise. Interest and other finance charges are recognized as an expense in the period which they are incurred.

h) Trade Payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether billed or not.

i) Taxation

Current taxation is provided, under the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognized for all deductible **temporary** differences, carry forward of unusual tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and the unused tax credits can be utilized.

j) Employee Benefit Costs

The company operates a pension scheme which commenced 1st January 1975 (Certificate of Registration: Ref. No RBA/SC/01044) and is funded by payments from both the employee and the company. Benefits are paid to retiring staff in accordance with the Scheme's Trust Deed and Rules.

Being a Defined Contributions Scheme, liability is limited to the contribution and the Company has no obligation if the fund does not have sufficient funds to pay members

KENYA SAFARI LODGES AND HOTELS LIMITED
Annual Report and Financial Statements
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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

retirement funds. Employer and Employee contribution rate is 10% and 5% respectively.

The company also contributes to the National Social Security Fund (NSSF). Contributions are determined by the local statute and are currently at Kshs. 200 per employee per month.

Contributions by the company in respect of retirement benefit costs are charged to the Income Statement in the year to which they relate.

Provision for staff leave and service pay

Employees' entitled to annual leave are charged to the Income Statement as they fall due.

Employees on contract are entitled to gratuity at the end of the contract or employment, which ever comes earlier. The estimated monetary liability for such entitlement at the end of the balance sheet date is recognized as an expense accrual.

k) Dividends

Dividends on Ordinary shares (when earned) are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

l) Cash & Cash Equivalents

The company's Cash and Cash equivalents consist of Cash in Hand, Demand Deposits and Short-term investments with original maturities of three months or less from date of acquisition.

Cash in Hand and in banks and short term deposits which are held to maturity are carried at cost plus interest earned but not yet received at the balance sheet date.



KENYA SAFARI LODGES AND HOTELS LIMITED
Annual Report and Financial Statements
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NOTES TO THE FINANCIAL STATEMENTS

	JUNE	JUNE
	2021	2020
	Shs'000	Shs'000
4.TURNOVER		
Accommodation	43,127	109,502
Food	71,123	178,671
Beverage	19,096	37,576
Tobacco	206	320
Telephone	0	-
Laundry	201	271
Business Center	280	741
Functions	19,046	41,466
Petrol and oil	5	1
Sporting Facilities	920	1,224
	154,003	369,773
5.OTHER INCOME		
Rent	883	1,247
Sales of Fixed Assets	0	-
Other income	6,825	7,344
	7,708	8,591
6.FINANCE INCOME		
Foreign Exchange Gain	5,364	22,436
Interest Income	1,781	1,125
	7,145	23,561
7.COST OF SALES		
Food	30,607	73,994
Drinks	5,343	8,687
Tobacco	154	268
Telephone	0	-
Functions	2,138	4,426
Laundry	3	1
Business Center	90	323
Petrol and Oil	0	-
Sporting Facilities	0	28
	38,335	87,726

KENYA SAFARI LODGES AND HOTELS LIMITED
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8. OPERATING COSTS		
Electricity	15,572	20,211
Fuel and gas	9,122	14,418
Water	3,447	5,396
Laundry & cleaning	6,808	10,432
Vehicle operating costs	1,525	3,107
Guest entertainment	2,209	4,405
Others	1,840	4,523
	40,524	62,492
9. STAFF COSTS		
Salaries and Wages	94,399	112,504
Staff Expenses	46,959	45,691
Staff Travel	10,088	10,170
	151,445	168,365
10. ADMINISTRATIVE EXPENSES		
Audit Fees	1,500	1,500
Professional Fees	833	741
Directors Expenses	3,755	3,966
Bad Debts provision	550	(2,904)
Service pay provision	0	-
Legal Fees	1,815	468
Office Expenses	5,586	6,693
General Expenses	4,791	6,859
	18,830	17,322
11. REPAIRS & RENEWALS EXPENSES		
Building	3,629	5,327
Plant & Machinery	3,914	7,635
Motor Vehicles	1,802	1,763
Others	1,348	5,142
	10,693	19,866
12. ADVERTISING & PROMOTION		
Advertising Expenses	294	941
Sales Promotion	1,259	1,026
	1,553	1,967

KENYA SAFARI LODGES AND HOTELS LIMITED
Annual Report and Financial Statements
For The Year Ended June 30, 2021

13. GENERAL CHARGES		
Rent & rates	2,363	5,033
Insurance	2,799	3,099
Gardens & Grounds	55	102
Maintenance Contracts	1,172	1,561
	6,389	9,795
14. FINANCE COSTS		
Long/Short -term interest	216	196
Bank charges including overdraft	446	813
	662	1,009
15. TAXATION		
a) Current Tax		
Tax charge for year	0	
Deferred tax		
There was no tax charge for the year due to Accumulated tax losses	0	

KENYA SAFARI LODGES AND HOTELS LIMITED
Annual Report and Financial Statements
For The Year Ended June 30, 2021

Notes to the financial statements (Continued)

	LAND & BUILDINGS Kshs '000	PLANT & MACHINERY Kshs '000	FURNITURE & FITTINGS Kshs '000	MOTOR VEHICLE Kshs '000	COMPUTERS Kshs '000	TOTAL Kshs' 000
COST/VALUATION						
TOTAL as at 01/07/2020	1,057,813	85,168	47,082	14,621	20,152	1,224,836
Revaluation increase	-	-	-	-	-	-
Revaluation decrease	-	-	-	-	-	-
Prior year adjustment	-	-	-	-	-	-
Disposal	-	-	-	-	-	-
Additions	-	532	-	-	542	1,074
depreciating	-	-	-	-	-	-
fully depreciated	-	-	-	-	-	-
TOTAL as at 30/06/2021	1,057,813	85,700	47,082	14,621	20,694	1,225,910
Comprising						-
Cost	169,014	31,349	7,971	14,621	20,694	243,649
Valuation	390,140	31,022	15,781	-	-	436,943
Valuation 2010	498,659	23,329	23,330	-	-	545,318
DEPRECIATION	-	-	-	-	-	-
Balance as at 01/07/2020	446,157	69,474	46,109	14,621	19,439	595,800
Adjustment revaluation	-	-	-	-	-	-
Revaluation prior year	-	-	-	-	-	-
Prior year adj	-	-	-	-	-	-
Disposal	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-
Comprising of Cost	5,592	3,379	213	-	720	9,903
- Valuation	19,334	-	-	-	-	19,334
Total	24,926	3,379	213	-	720	29,237
Total accumulated depreciation	471,083	72,854	46,322	14,621	20,159	625,038
NET BOOK VALUE 30/06/20	611,656	15,694	973	(0)	714	629,036
NET BOOK VALUE 30/06/21	586,730	12,846	760	(0)	536	600,872

NB	Fully depreciated	depreciating	rate	charge
Leasehold	-	40,000	2%	800
Building	-	345,425	3.30%	11,399
Building	76,703	235,685	5.40%	12,727
Plant & Mach	58,668	27,032	12.50%	3,379
Furniture & Fit	45,378	1,704	12.50%	213
Computers	18,532	2,162	33.30%	720
MV	14,621	-	25%	-
S-Total	213,902	652,008		29,238
Freehold		360,000		
G-Total		1,225,910		

KENYA SAFARI LODGES AND HOTELS LIMITED
Annual Report and Financial Statements
For The Year Ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. PROPERTIES, PLANT AND EQUIPMENT

2020	LAND & BUILDINGS Kshs'000	PLANT & MACHINERY Kshs '000	FURNITURE & FITTINGS Kshs '000	MOTOR VEHICLE Kshs '000	COMPUTERS Kshs '000	WIP Kshs '000	Total
COST/VALUATION							
TOTAL as at 01/07/2019	1,057,813	77,054	46,286	14,621	19,390	0	1,215,16
Disposal	-	-	-	-	-	-	-
Additions	-	8,114	796	-	762	-	9,67
TOTAL as at 30/06/2020	1,057,813	85,168	47,082	14,621	20,152	-	1,224,83
Comprising							-
Cost	169,014	30,817	7,971	14,621	20,152	-	242,57
Valuation	390,140	31,022	15,781	-	-	-	436,94
Valuation 2010	498,659	23,329	23,330	-	-	-	545,31
DEPRECIATION							
Balance as at 01/07/2019	421,231	64,577	45,884	14,621	18,630	-	564,94
Charge for the year (Cost)	5,935	4,897	225	-	809	-	11,86
Charge for the Year (Valuation)	18,991	-	-	-	-	-	18,99
Total	24,926	4,897	225	-	809	-	30,85
Total accumulated depreciation	446,157	69,474	46,109	14,621	19,439	-	595,80
At June 30,2020	636,582	12,477	402	0	761	-	650,22
NET BOOK VALUE At June 30,2020	611,656	15,694	973	0	714	-	629,03

NB	Fully depreciated	depreciating	rate	charge
Leasehold	-	40,000	2%	800
Building	-	345,425	3.30%	11,399
Building	76,703	235,685	5.40%	12,727
Plant & Mach	45,992	39,176	12.50%	4,897
Furniture & Fit	45,282	1,800	12.50%	225
Computers	13,878	2,429	33.30%	809
MV	14,621	-	25%	-
S-Total	196,476	668,360		30,857
Freehold		360,000		
G-Total		1,224,836		

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17. INTANGIBLE ASSETS

	2020-2021	2019-2020
	Kshs'000	Kshs'000
COST/VALUATION		
At July 1, 2020	3,845	3,845
Additions	-	-
Disposal		
At June 30,2021	3,845	3,845
AMORTISATION		
At July 1,2020	3,845	3,845
Charge for the year		
Disposal		
Impairment loss	-	-
At June 30,2021	3,845	3,845
NET BOOK VALUE AT JUNE 30	-	-

NB

Software	Fully depreciated	depreciating	rate	charge
	3,845	0	33.30%	0

The figure relates to computer software and licenses for our front office Fidelio, Sun system and materials controls system that are currently in use.



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		JUNE	JUNE
		2021	2020
		Kshs'000	Kshs'000
18. INVENTORIES			
Food		1,529	2,309
Beverage		1,395	2,235
Tobacco		33	18
Stationary		621	837
Others		4,224	5,584
Total		7,801	10,983
19. TRADE AND OTHER RECEIVABLES			
Trade debtors,		136,519	140,459
Bad debts provisions		(6,631)	(6,081)
Other debtors and prepayments		31,730	38,988
		161,618	173,366
20. SHARE CAPITAL			
Authorized, issued and fully paid 5,047,724 Ordinary shares			
of Kshs. 20/= each.		100,954	100,954
21. RETAINED EARNINGS			
		(513,767)	(404,288)
SHAREHOLDERS			
Tourism Finance Corporation.	82.45%		
Mountain Lodge	17.53%		
Kenya Wildlife Service Trustees	0.02%		
22. REVALUATION RESERVE			
Balance b/f		486,731	505,722
Depreciation transferred to retained earnings		(19,334)	(18,991)
relates to revaluation gain on assets (crystal valuers 2010)		-	-
Balance C/F		467,397	486,731
23. BORROWING LONG TERM			
Loan TFC		7,525	8,728
Total		7,525	8,728

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24. TRADE AND OTHER PAYABLES

Trade creditors		106,158	108,339
Unearned income		21,115	24,099
Accruals		12,783	1,818
Audit fees		7,566	6,066
Other Payables including VAT & CLT		538,123	513,204
Service Gratuity		41,957	44,799
		728,702	698,326

25. CASH AND CASH EQUIVALENT

Cash in hand (float)		600	597
Dollar equivalent KCB \$ A/C		1,907	29,754
Cash in Bank BBKA/C		2,093	19,158
Cash in KCB KSH A/C		1,231	14,117
Total		5,832	63,626
Cash Equivalent includes short term liquid investments which are readily convertible to known amounts of cash and which were within three months of maturity when acquired.			

Detailed analysis of the cash and cash equivalent

Financial Institution	Account Number	2020-2021	2019-2020
a) Current account			
Kenya Commercial Bank (Ksh)	1106515188	1,231	14,117
Kenya Commercial Bank (USD)	1107647819	1,907	29,754
Barclays bank account(Ksh)	8207166	2,093	19,158
Sub-total		5,231	63,029
b) On call deposits			
c) Staff car loan/Mortgage		-	-
d) Others		1	
Cash in hand(Float)		600	597
Sub -total		600	597
Grand total		5,832	63,626



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26. BORROWING SHORT TERM			
Bank Overdraft		-	-
BBK A/C		-	-
TFC Loan		-	-
12 months @ 343,779		4,125	3,610
		4,125	3,610
The Bank overdraft is secured by cash investments in form of Fixed deposit.			
KTDC Loan relates to amount payable within the next one year.			
27.DIVIDENDS			
No dividends were declared during the year.			
28. CONTINGENT LIABILITIES			
Legal Fee		4,000	4,000
		4,000	4,000

The legal case H.C petition No. 64 of 2015-Mombasa, Kenya Safari Lodges & Hotels Limited-Vs. Kenya Revenue Authority is yet to be concluded. In relation to the same the company submitted a written request for arbitration to the registrar of the Nairobi Centre for International Arbitration (N.C.I.A) to commence the arbitration process. This was done to comply with the directive of the office of the Attorney General to having all disputes involving inter-governmental agencies court be referred to the (N.C.I.A). Due to this risk exposure, KSLH has made a provision of Kshs. 4,000,000 on all legal matters pending in courts.

The company is likely to also incur liability relating to penalty for non submission of staff Saccos amounting to Kshs 3,716,200 VAT, CLT and PAYE amounting to Kshs 471,454,000 and long outstanding trade creditors' balances amounting to Kshs106,976,000
 No loans were guaranteed by the company to its staff, directors or any other entity in the year.

29. SHORT TERM DEPOSIT			
Cash investments(FD at KCB TRY SQ Acc No 1124550186)		22,810	21,029
		22,810	21,029

The cash investments (Fixed deposit at KCB treasury square account) held in Kenya Commercial bank of Ksh. 22,810, 000 are funds held as Sinking fund. This was

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formed after the Board granted its approval. This has been separated from cash and cash equivalent to short term investments based on the recommendation by Auditor General as best practice (Refer statement of cash flows)

Fixed deposit account			
Kenya Commercial bank (Ksh)	MM1721487681	22,810	21,029
Sub-total		22,810	21,029

30. SUBSEQUENT EVENTS

The leasehold land for Voi and Ngulia Safari Lodges expired in November 2018 and March 2019 respectively. The company applied to Kenya Wildlife Service for the renewal of the leases and is continuously following up on the same.

No other events have become known or occurred that may lead to significant changes to these financial statements. These would be like court judgments or regulatory decisions that may affect reported assets/liabilities or adversely reflect upon the integrity of the decision-maker.

31. RELATED PARTY TRANSACTIONS

During the year the following transactions were executed with related parties: -

1. Kenya National Parks (KNP) which owns 0.02% of KSLH had leased Voi and Ngulia lodges to KSLH. The company has been paying monthly lease rents for both Ngulia and Voi Safari Lodge.
2. Tourism Funds Corporation (TFC) which owns 82.45% of KSLH had allocated office space to KSLH at Utalii House, Nairobi.

During the year KSLH continued to service an interest free loan granted by TFC in the prior year to cater for fifty (50) Air condition units for Mombasa Beach Hotel amounting to Ksh 1.5M. Also through TFC, KCB continued holding a bank guarantee to Judiciary of Kenya, Mombasa law courts in respect to KRA TAX CASE (H.C PETITION No. 64 of 2015 Kshs 38M). TFC Lien F/D was not renewed upon maturity on 26th March 2020.

3. During the year KSLH was able to attract and transact business with a number of county governments and central government ministries in terms of seminars and conferences, these included among others;



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MDA's	Amount
State Department for planning	12,500,000.00
Taita Taveta County Government	9,000,000.00
KMTC	9,000,000.00
Ministry of Petroleum	7,500,000.00
National Treasury	6,700,000.00
Kenya Maritime Authority	4,800,000.00
County Government of Makueni	3,200,000.00
EACC	2,300,000.00
University of Nairobi	1,600,000.00
Tourism Finance Corporation	1,300,000.00

All the above transactions were done at arm's-length and no other transactions were done with related parties or their agents.

32. RISK MANAGEMENT

Going Concern

The company is facing a liquidity risk due to the negative working capital of Kshs.(535,002,000), with current assets of Kshs. 198,061,000 as compared to current liabilities of Kshs 733,063,000. This state of affairs is attributed mainly by cumulative losses in the last three years and recently reduced profitability due to COVID 19 pandemic.

Performance analysis

Kshs '000	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Revenue	235,689	300,951	435,949	369,773	154,003
Profit/Loss	(73,937.00)	(35,781)	27,688	21,517	(109,715)

The company is currently depending on the trade creditors whose payment has remained a challenge as well as other payables.

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Management is hopeful that the company is going to maintain profitability as indicated by the attained profit compared to previous years if COVID 19 pandemic curve is fully flattened and Government opens the economy back to normal business. Meanwhile, Management is reviewing its marketing strategies, putting more emphasis on the lodges to ensure revenues from the lodges start rising to enable the company reduce its trade creditors and other liabilities. Out of court settlement and negotiations on payment modalities have also been undertaken between trade creditors and KSLH, the company having been issued with demand letters.

	Principal	Interest	Totals	Remarks
VAT	238,692,290			Ongoing engagement
WITHOLDING TAX	9,943,448			”
PAYE	176,505,640			”
CLT	56,255,932			”
PENSION	28,179,303			”
SACCO	3,716,200			”
TRADE CREDITORS	106,976,295			”

33. MANAGEMENT FRAUD

In the year no fraud or suspected abuse of office, misuse of assets or falsifying of statements by those with decision-making authorities or not, was noted in the company.

34. DISCLOSURE ON LONG TERM BORROWING

We have disclosed the following information in relation to the long-term loan indicated on note 23.

Lender: Tourism Finance Corporation

Repayment Terms: 36Months

Collateral: None (Shareholders loan)

Interest Rate: 0%

Purpose of Loan: - To settle Staff liabilities, purchase of generator and air conditioners in Mombasa Beach Hotel

Currency: -Kenya Shillings